December 22, 2000

Stuart Altman and Judge Herbert Wilkins, Chairmen
Governor's Task Force on the Healthcare System
Executive Office of Health and Human Services
One Ashburton Place, Room 1109
Boston, MA 02108

Dear Professor Altman and Judge Wilkins:

We have read the draft interim report of the Governor's Task Force on Health Care and applaud the work that has been accomplished to date. The issues before the task force are complex and far-reaching, and involve all of us who are concerned with protecting and enhancing the health care delivery system in the Commonwealth.

The League and the health centers support the Governor's Task Force on Health Care in its efforts to identify short term solutions for the financial crises facing a broad group of health care providers. However, we believe that the task force must also look to developing long-term and broad-based approaches for stabilizing the overall system. These should include the maximization of MassHealth coverage, the reduction of reliance on the uncompensated care pool for primary care visits in emergency rooms, and the development of systems which ensure that people receive the best health care in the most appropriate setting.

We also are concerned about the fact that the financing sub-group has not reported to the full task force on the issues discussed and recommendations made by community health centers and home health agencies on November 16, 2000. Since our input and suggestions were not included in the draft interim report, we request that this correspondence be appended to the report.

The League's November statement before the health care financing sub-group of the task force provided information on the origins of the community health center program; the non-profit mission of all community health centers; the health center governance structure which empowers communities to address specific health concerns and needs; and, most importantly, the dedication of community health centers to quality and excellence, and to maximizing access to primary health care. The background papers distributed to the sub-group

included financial performance data and financial ratios from 1995–1998, and unaudited 1999 financial information.

Background

There are a total of forty-seven community health centers which provide services at one hundred practice sites across Massachusetts. Of the forty-seven, thirty are independently licensed and seventeen operate under the licenses of hospitals. Twenty-seven, located in designated medically under-served areas (MUAs), receive direct federal funding.

League data suggests that on average, 75 percent of community health center operations are supported by public funding sources. These include Medicaid, the Acute Hospital Uncompensated Care Pool, Medicare, and grant funding from federal, state and local sources. Health centers have continued to expand to meet the ever increasing demand for services to under-served populations, most recently through state financed expansions of primary care practice sites and new oral health practice sites. According to "Massachusetts Health Care Trends: 1990-1999," recently published by the Division of Health Care Finance and Policy, health center visits increased by 93 percent over the past nine years.

In total, health centers serve more than 250,000 MassHealth patients. These patients are members of Neighborhood Health Plan, Primary Care Clinician program, and other managed care pre-paid organizations including Boston HealthNet and Cambridge Network Health. Health centers also serve in excess of 250,000 uninsured and underinsured persons. The balance of the health center patient population consists of Medicare and commercial patients for a total of 625,000 people (or one out of every ten persons in the Commonwealth). Health center medical visits have increased by 34 percent since 1997 and are estimated at 1,239,047 for FY 99. Dental visits, estimated at 76,371 for FY 99, represent a decrease of 24 percent since 1997.

Financial

The audited financial status of community health centers for the period FY 95 through FY 98 shows declining stability. A majority of centers lost money on an operating basis in all years from 1995 through 1998. A draft analysis, based on 26 FY 99 audited financial statements, indicates that in FY 99, 67 percent of the centers lost money on an operating basis and 29 percent lost money on a bottom line basis, an alarming jump from the previous report. In calendar year 1999, the East Boston Neighborhood Health Center was forced into bankruptcy, and 10 to 15 health centers remain close to bankruptcy.

During the same period time, 60 percent of all centers maintained less than 30 days cash on hand. Modest cash reserves have continuously dropped and a number of independent auditing firms are considering issuing "going concern" opinions to several health centers. Preliminary analysis of FY 99 data shows a

further decline, with 78 percent of the health centers reporting less than 30 days cash on hand.

Salaries at some community health centers remain 25 percent below market for all levels of personnel. Physicians, nurses (in particular given the recent shortage), specialists, and dentists are increasingly difficult to hire. This is compounded by the fact that many health centers are located in under-served parts of Massachusetts.

Effect on Programs

Unfortunately, waiting time for all services -- OB/GYN and dental care in particular -- are long and growing longer as demand increases and staffing becomes more challenging. Patient volume has increased primarily because of growing recognition of the quality, location and cultural responsiveness of health center services. In addition, increased public confidence in our partnerships with managed care organizations has led to higher quality and easier access for Medicaid and under-served populations.

Gains Made

Community health centers are the foundation of the MassHealth expansion, providing a permanent medical home to over 65,000 enrollees in the Neighborhood Health Plan; 160,000 MassHealth enrollees in the Primary Care Clinician program; and over 30,000 people enrolled in other managed care pre-paid organizations including Boston HealthNet and Cambridge Network Health. Health centers, individually and through Neighborhood Health Plan, are increasing their provision of specialty care to hard-to- serve populations such as dual eligible elders, DSS foster children, and persons with disabilities and chronic conditions.

The high quality of patient centered competent care provided by health centers is beginning to be documented, revealing a high degree of patient satisfaction and quality. The cost effectiveness of the investments made in cultural competence, outreach and language services at health centers is showing itself in increased compliance with medical treatment plans, less hospital emergency room usage, and fewer admissions. Studies, including HEDIS measures monitored by the state, indicate that programs such as asthma management and breast cancer and cervical cancer screening are producing positive results for all patients served by health centers. The 1998, 1999 and 2000HEDIS reports indicate that Neighborhood Health Plan, working through health centers, produced higher measures for childhood immunizations, breast cancer screening, cervical cancer screening, diabetic eye examination, and well child visits for their patients.

Community health center patient satisfaction remains high. In addition, centers provide cost savings to the overall system by decreasing acute care admissions and reducing ER usage. However, financial constraints have slowed expansion

and caused community health centers to look carefully at the programs they can offer. If the state continues to assist centers to financially strengthen and stabilize their community-based systems of care, and invest in the health centers for expansion of needed and identified programs, community health centers will remain a major contributor in the re-direction of the Massachusetts healthcare delivery system.

Potential Remedies

- Continue the process begun in 2000 by raising Medicaid medical and dental rates to meet actual cost, and continue targeted relief for distressed community health centers.

- Take necessary steps to insure that Neighborhood Health Plan, the state's largest MassHealth HMO, receives increased Medicaid payments so that it may reimburse community health centers for their full costs. By stabilizing community health centers, Neighborhood Health Plan will be positioned to extend their cost saving work with DMA to MassHealth enrollees, the frail elderly, AIDS patients and DSS severely disabled children.

- Significantly lessen community health center administrative costs by reducing the plethora of rigid requirements in state contracts, and by coordinating state billing and reporting system requirements among the many agencies and programs.

- Work with health centers to improve relationships between the centers and their local hospitals and large systems of care in order to further carry out appropriate types of referrals from hospital emergency rooms to lower-cost, health center-based care.

- Increase state efforts to improve the ability of health centers to attract and retain high quality staff through the re-establishment of a viable workforce initiative for community health and other providers. In particular, create of a "State Health Service Corps" and also work with the four medical schools including U.Mass Medical, nursing, dental, allied health and other schools on innovative training, education, and research programs. In addition, the initiative should include access to state tuition assistance and certified training programs for health center staff, and the expansion of state loan repayment opportunities.

- Create resources for technical assistance and access to capital for the upgrading of health center systems.

- In the short term provide relief through grants for urgent health center needs, deficits and expansion. The League estimates that a grant program of $5 million per year for the next three years will reposition 10 community health centers per year to adjust to changing marketplace conditions and to provide publicly-assisted patients with needed basic health services.

- Make available low-interest loans for critical health center needs and expansion.

Low interest and forgivable loans for service expansion (oral health) and hot spot practice site development are efficacious and far more appropriate than referring patients to emergency rooms for primary care.

Thank you and the commission for including a discussion on the value and appropriateness of community health centers in your future deliberations. The League will work closely with you in implementing these and other recommendations made to the commission.

Sincerely,

James W. Hunt, Jr.
President and CEO

cc: Secretary William O'Leary